



1. Project Data:		Date Posted : 02/11/2003	
PROJ ID: P007396		Appraisal	Actual
Project Name: Environmental Development Project	Project Costs (US\$M)	12.5	12.1
Country: Honduras	Loan/Credit (US\$M)	10.8	9.9
Sector(s): Board: ENV - Central government administration (44%), Sub-national government administration (24%), Other social services (21%), Law and justice (7%), Micro- and SME finance (4%)	Cofinancing (US\$M)		
L/C Number: C2693			
	Board Approval (FY)		95
Partners involved :	Closing Date	06/30/2000	01/31/2001
Prepared by :	Reviewed by :	Group Manager :	Group:
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2. Project Objectives and Components

a. Objectives

The project had three sets of objectives .

- To strengthen the capacity of government agencies in : (i) environmental and natural resource planning; (ii) policy, legal and regulatory framework development; (iii) interagency and intersector coordination; (iv) environmental monitoring; and (v) enforcement of environmental laws and regulations .
- To: (i) assist the Ministry of the Environment (SEDA) and relevant sector agencies in the strengthening and implementation of a national system of environmental impact assessment; (ii) develop the methodologies for the preparation and processing of environmental impact assessments and environmental audits in high priority sectors; and (iii) engage NGOs, communities and the private sector in the environmental assessment review process.
- To: (i) develop the environmental management capacity of selected municipalities in a manner that would increase the involvement of grassroots organizations and individuals in the environmental affairs of their communities; and (ii) finance, on a pilot basis, environmental subprojects at the municipal and community levels, and by small and micro-enterprises, through the Honduran Social Investment Fund (FHIS).

b. Components

Project activities were grouped under four components :

- Environmental Planning and Legislation; (US\$3.5 million or 28% of project costs). These were to (i) strengthen SEDA's capacity to carry out its policy setting, sectoral and land use planning, monitoring, coordinating, and normative functions, including funding for technical assistance to update the Environment and Development Action Plan (PAAD); (ii) design and implement a National Environmental Information System (SINIA) to integrate existing information retrieval and management initiatives and to support the design and implementation of environmental information systems at the local and sectoral levels ; (iii) establish a consistent legal and regulatory framework through harmonization of existing laws and regulations, establish norms and technical standards, and provide training and technical assistance on environmental legislation to lawyers and judicial branch members; and (iv) coordinate all training activities under this project and design and implement environmental public awareness activities .
- Environmental Quality Assessment; (US\$2.2 million, 18% of project costs). (i) strengthen the National System of Environmental Impact Assessment (SINEIA); and (ii) carry out pilot EIAs and environmental audits in selected sectors to provide hands on experience and help draft EIA and environmental audit training and operations and operations manuals.
- Local Government Environmental Management; (US\$5.3 million or 43% of project costs). This was to: (i) strengthen the capacity of selected local governments and communities by (a) providing technical assistance on environmental management, subproject identification and design, and (b) engaging the population through

seminars and workshops aimed at increasing environmental awareness and preparing municipal environmental action plans; and (ii) provide funding for environmental investments at the municipal and community level through FHIS and, on a pilot basis, a small line of credit for environmental investment managed by intermediary NGOs and directed at small and micro-enterprises.

- Administration and Project Coordination (US\$1.4 million or 11% of project costs). To (i) strengthen SEDA's administrative unit through the design and implementation of sound administrative, budgeting, and accounting systems; and (ii) establish a Project Coordination Unit (PCU) in SEDA to assist with project implementation.

In October 1998 the country was hit by Hurricane Mitch which resulted in major environmental damage. In April 1999 the unallocated proceeds of the loan, US\$ 4.0 million were reallocated to provide funding for emergency reconstruction works, although a formal restructuring of the loan was not undertaken.

c. Comments on Project Cost, Financing and Dates

The project credit was for US\$10.8, or 85% of project costs. The rapid disbursement of funds for emergency works meant that, despite substantial earlier lags in implementation, the project was closed within six months of the original target date.

3. Achievement of Relevant Objectives:

Overall, the project failed to achieve its original objectives.

Although there was governmental support at the time of appraisal, soon after implementation began a change of government brought in an administration with less interest in addressing environmental issues. SEDA had been a weak ministry at the outset, but a reorganization folded it into a Ministry of Natural Resources and Environment (SERNA) as a sub-secretariat. This not only caused implementation delays in the critical, early stages of the project, but also reduced the ability of the PCU to effectively support the wide range of envisaged project activities, many of which were not directly within the line responsibilities of the reorganized ministry. Three ministers and substantial senior staff turnover also hindered effective action.

The above changes and the unreceptive environment meant that progress in meeting the first two objectives was minimal.

Significantly greater progress was made in the third objective, increasing capacities at the municipal level to incorporate environmental impact assessment into project design. An environmental unit was established in the Social Investment Fund (the principal channel for funding for municipal investment); 26 of 28 planned pre-investment evaluations were prepared; and 12 of 42 projects were completed. A pilot program of training and support in 12 municipalities was also completed.

4. Significant Outcomes/Impacts:

The most significant visible impact of the project was its role in responding to the extensive damage caused by Hurricane Mitch. The availability of unallocated funds enabled US\$ 3.5 million to be spent for the emergency works. The PIU was the focal point for Bank support in this effort and Bank involvement, with collaboration of consultants, UNDP, and the US Army Corps of Engineers, helped ensure that a transparent and cost-effective bidding process was adopted and that the emergency works were implemented within a few months.

On the institutional side, the most significant impact was in the development and incorporation of environmental impact assessment into the procedures of the Social Investment Fund.

5. Significant Shortcomings (including non-compliance with safeguard policies):

The project had too many objectives and components. A weak and not-well established ministry (SEDA) was not able to support such a wide range of activity. Choices should have been made at the outset or the project should have been designed to allow for greater flexibility in implementation, e.g. with initial work programmed on a limited range of activities and provision for a review after a relatively short time, e.g. 2 years. This would have allowed more activities to be undertaken as progress was made. The project would have been well suited to the LIL project format that, however, was not available at the time. The Bank did not react aggressively enough to early poor implementation performance.

6. Ratings:	ICR	OED Review	Reason for Disagreement /Comments
Outcome:	Unsatisfactory	Unsatisfactory	
Institutional Dev.:	Modest	Modest	
Sustainability:	Unlikely	Unlikely	
Bank Performance:	Unsatisfactory	Unsatisfactory	The ICR rates Bank preparation performance as satisfactory but, for reasons discussed in section 5, OED rates the Bank performance in preparation, and quality at entry, as unsatisfactory, since many of the project's difficulties stemmed from design

			inadequacies.
Borrower Perf .:	Unsatisfactory	Unsatisfactory	
Quality of ICR .:		Satisfactory	

NOTE: ICR rating values flagged with '*' don't comply with OP/BP 13.55, but are listed for completeness.

7. Lessons of Broad Applicability:

1. Project design complexity should be consistent with the borrower's capacity to implement .
2. When working with an untried organization, early project implementation should target activities with the highest probabilities of success .
3. Development of local capacity should be directly related to investment priorities .

8. Assessment Recommended? Yes No

9. Comments on Quality of ICR:

This is a high quality ICR. It contains an unusually detailed assessment of quality at entry, a frank discussion of problems of project design and a thoughtful discussion of the lessons that can be drawn from the experience . The report's discussion of project design and quality at entry is exemplary . The authors clearly made a considerable effort to track down the implementation performance and impact of the wide range of project activities .